



UHERO

THE ECONOMIC RESEARCH ORGANIZATION
AT THE UNIVERSITY OF HAWAII

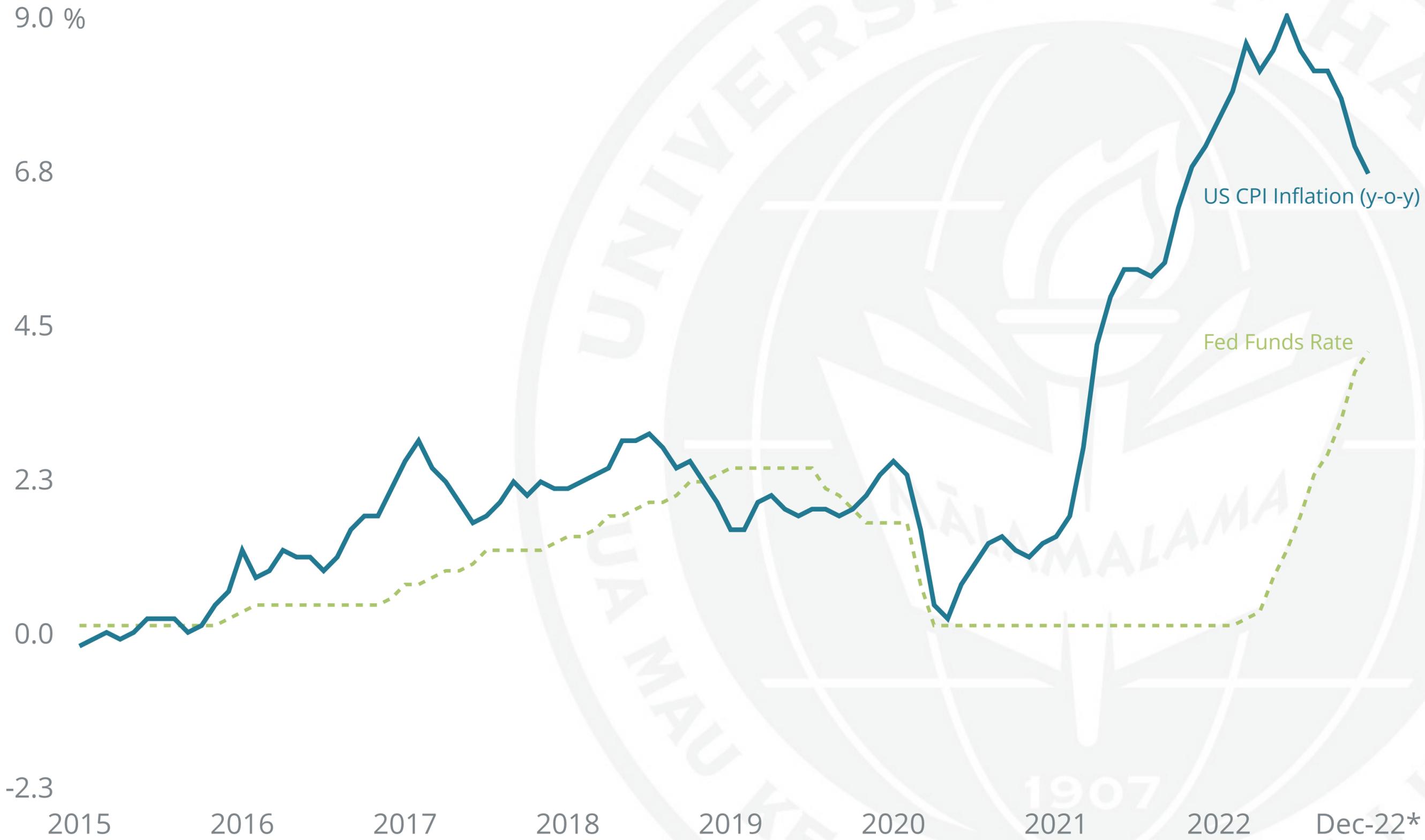
GLOBAL WAR ON INFLATION WILL HINDER HAWAII GROWTH

DR. CARL BONHAM
EXECUTIVE DIRECTOR, UHERO
PROFESSOR, DEPARTMENT OF ECONOMICS

HOUSE FINANCE COMMITTEE
PRE-SESSION BRIEFING
JANUARY 4, 2023

All eyes continue to be focused on inflation and the Fed

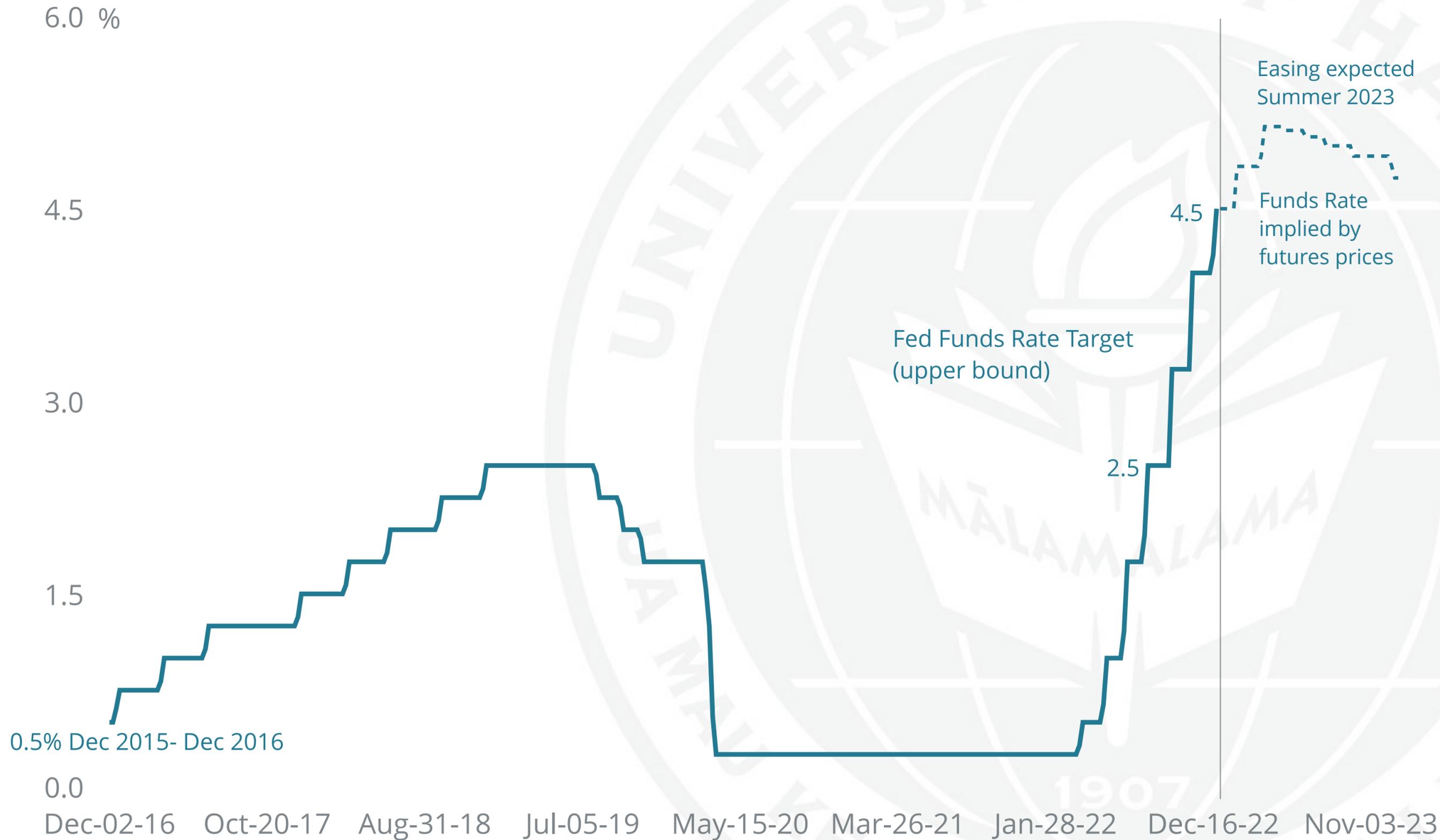
the sharpest policy change in 40 years— where does this end?



Source: [Federal Reserve Board](#), [BLS](#), [UHERO.data](#). Dec. inflation is [Cleveland Fed Nowcast](#).

The bond market expects rates to start falling by summer

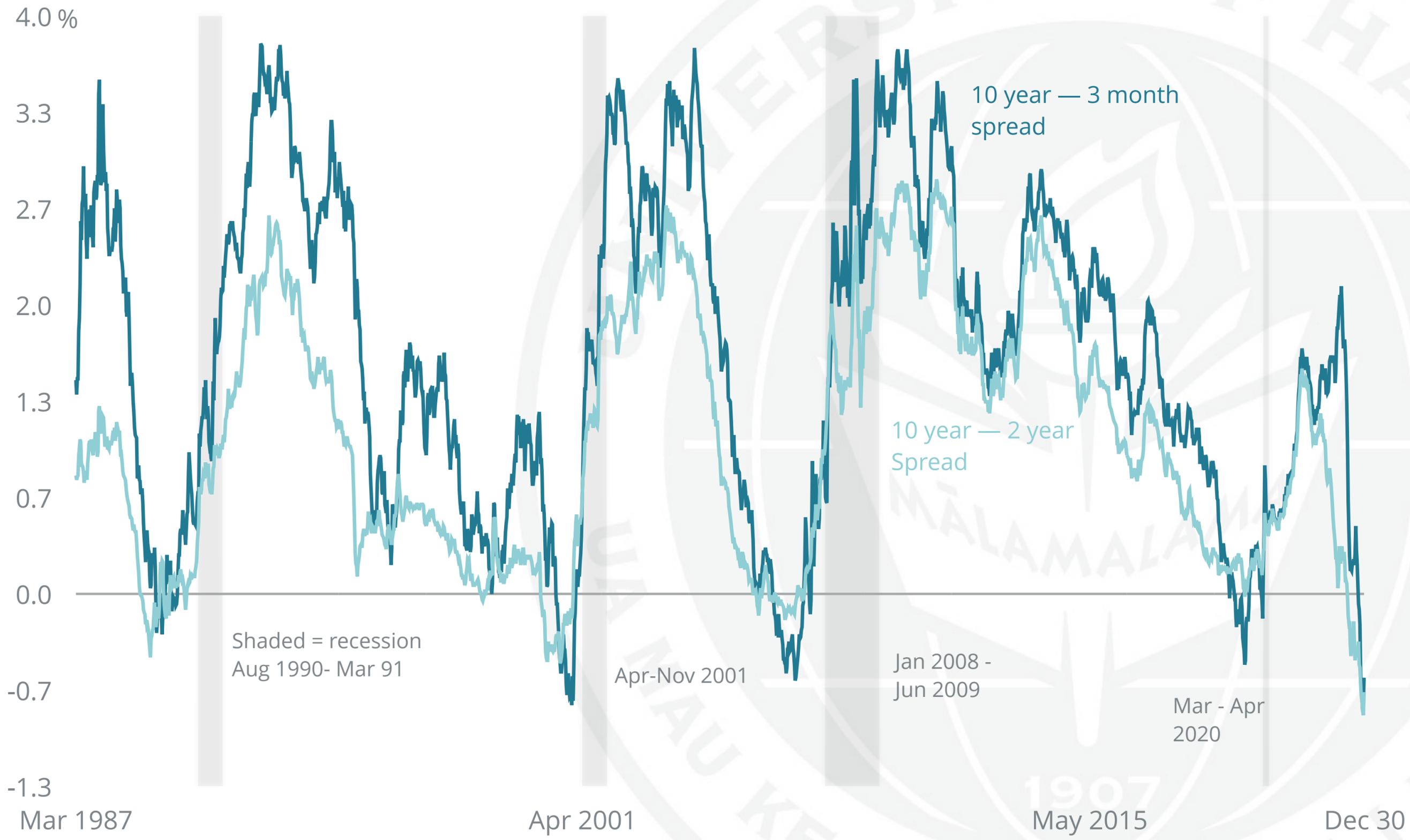
either inflation roles over or the economy does



Source: [Federal Reserve Board](#), [CME Fedwatch](#) updated 01/02/2023.

And yield curve are more inverted than anytime in

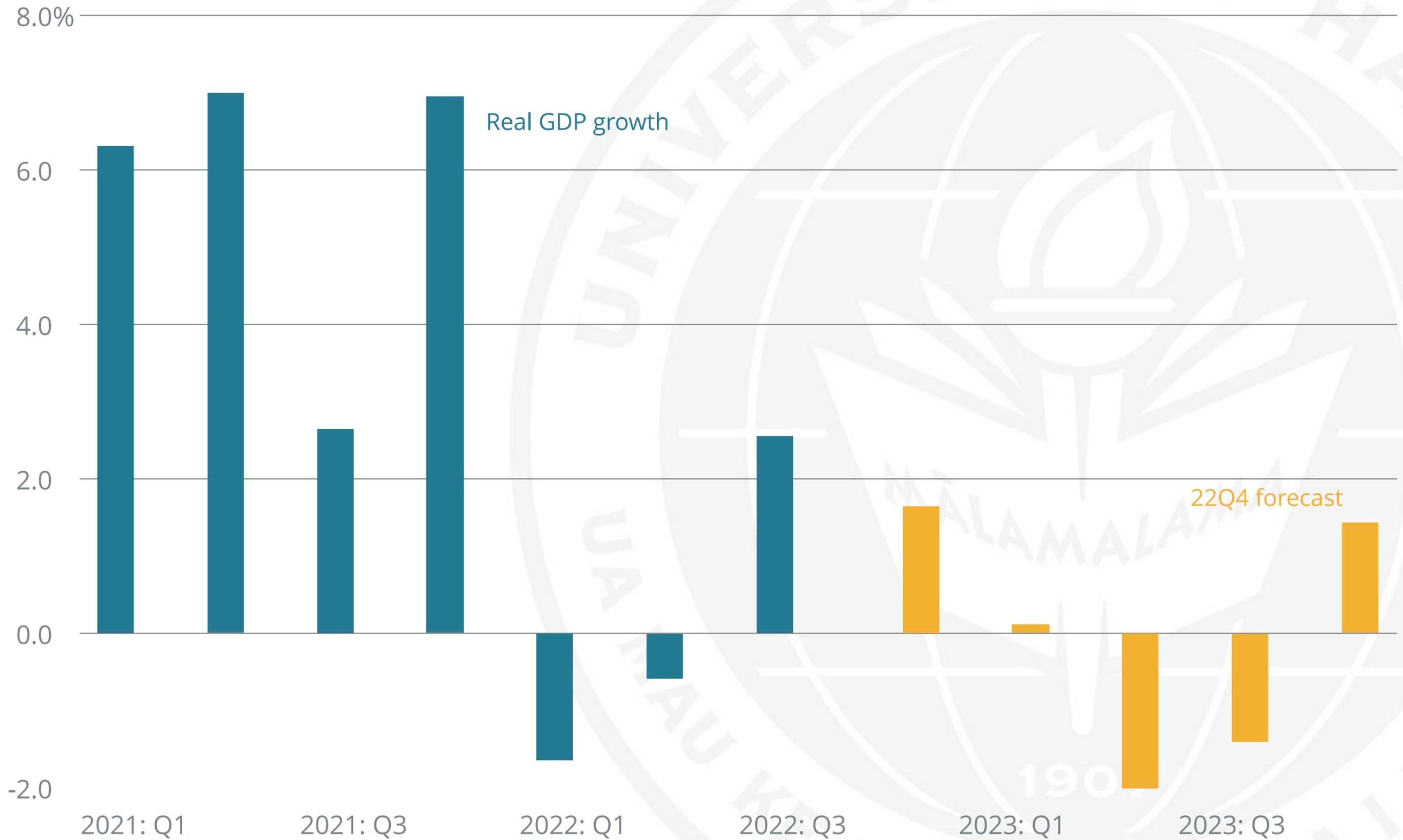
inversion signals market's expectation of falling short term yields



Source: Federal Reserve Board, via FRED.

Our base case—persistent inflation, determined Fed, recession

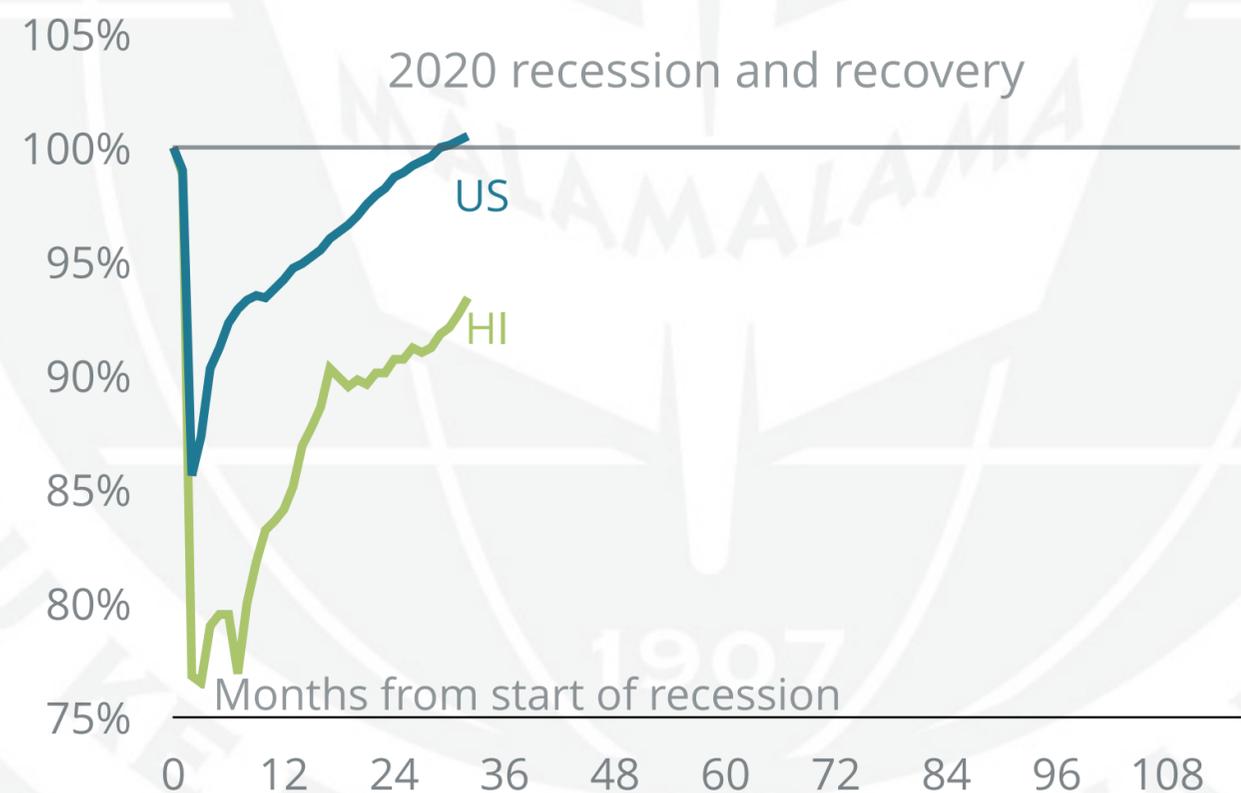
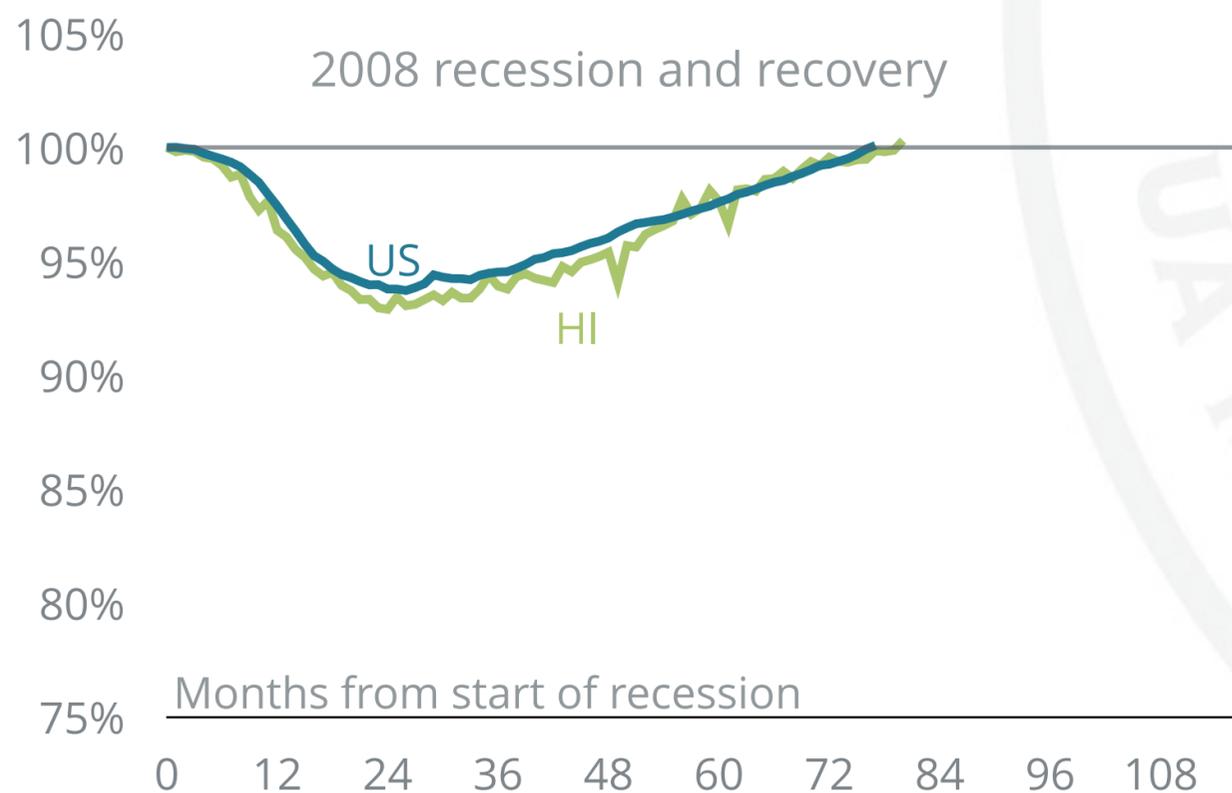
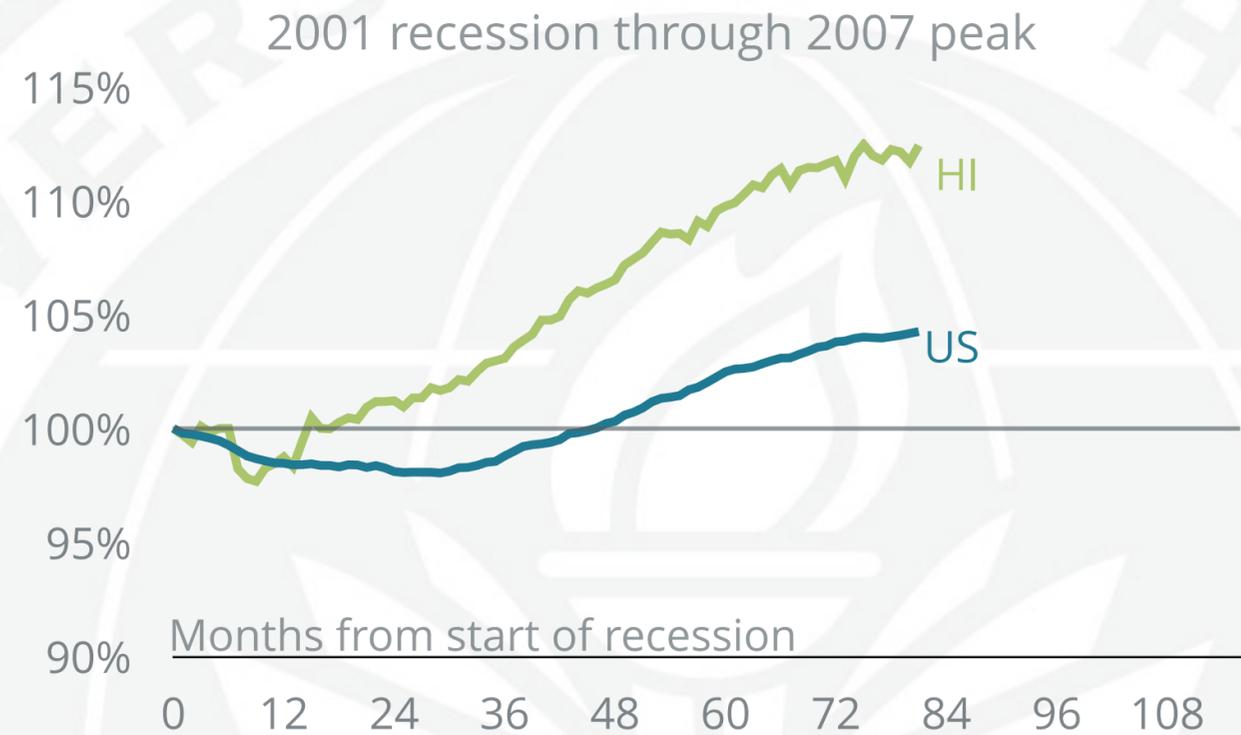
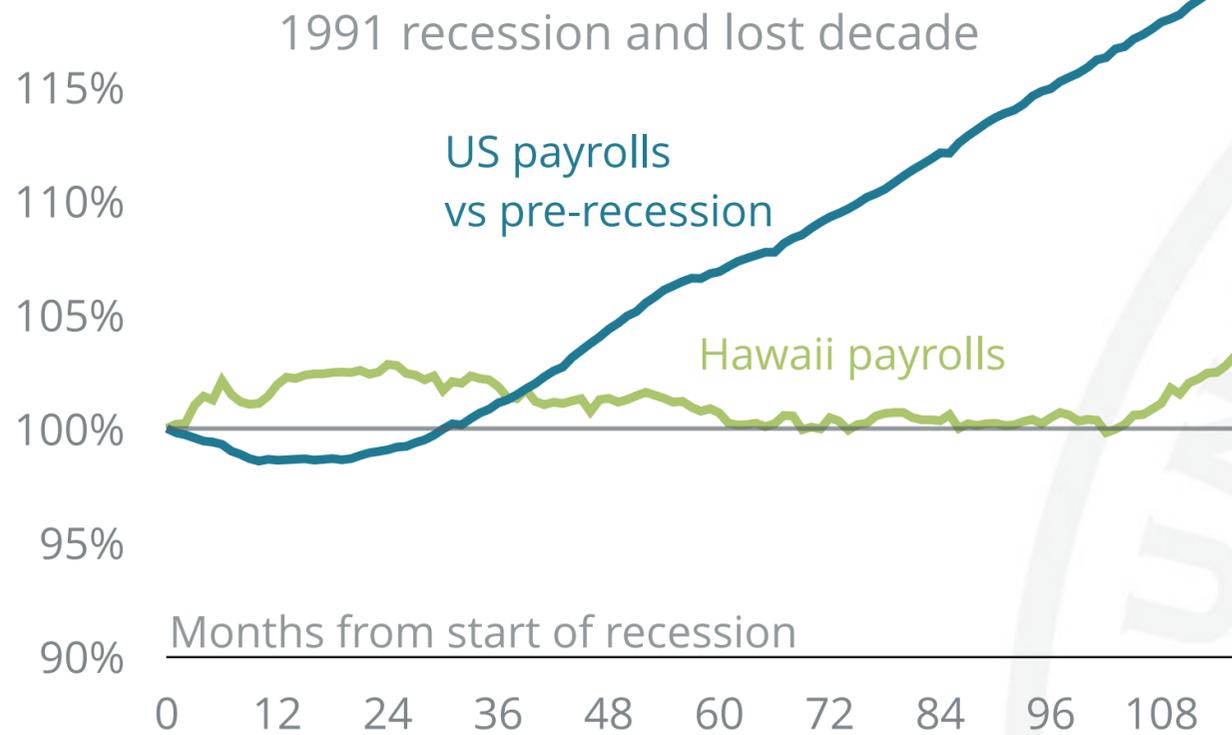
US Real GDP growth—first a head fake then the real thing



Source: BEA, UHERO forecasts. % Δ from preceding quarter, seasonally adjusted at annual rate.

Its never a good time, but every recession is different

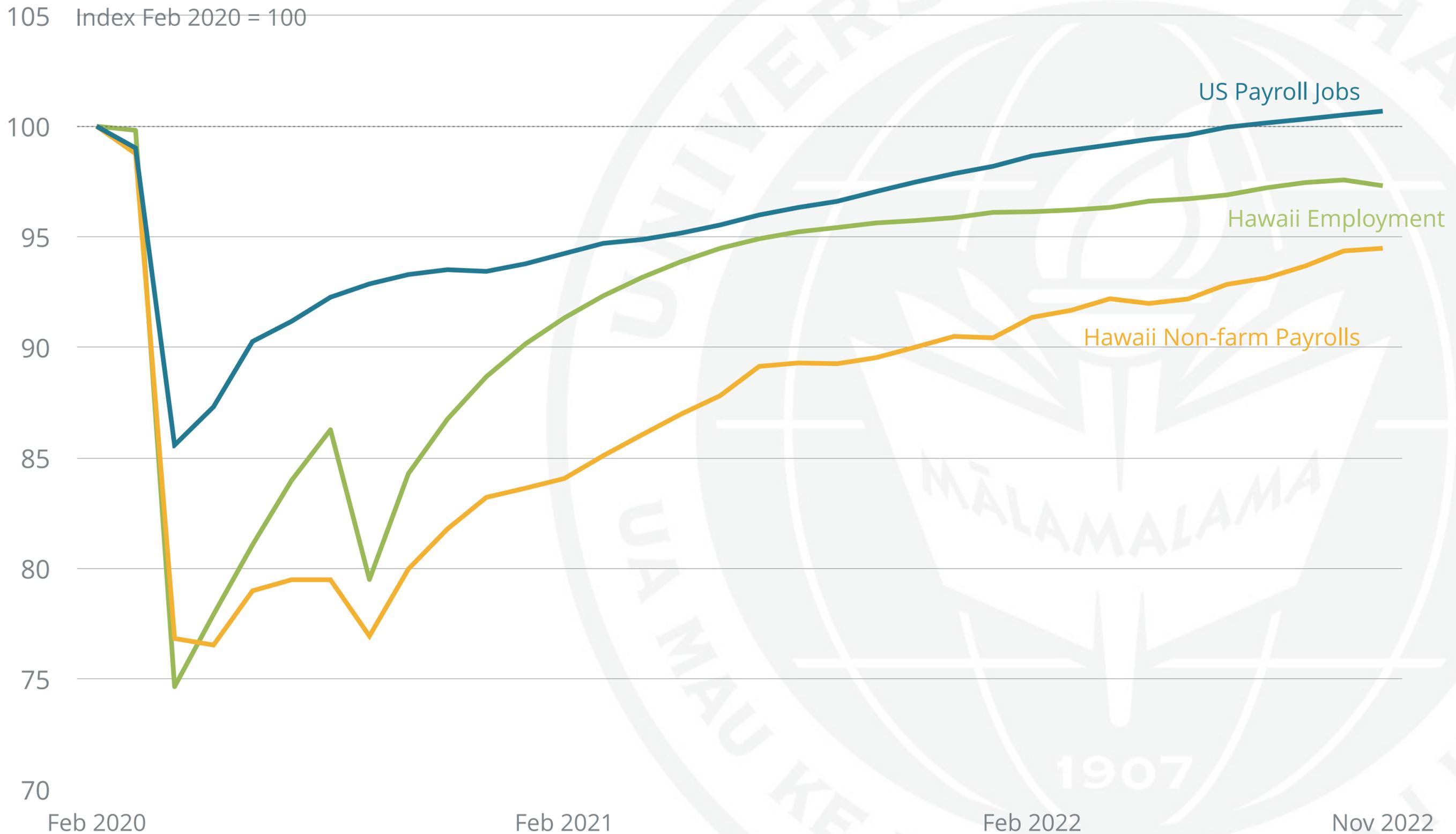
as a small open economy, Hawaii can be battered or buoyed by external forces



Source: BLS, UHERO.

This time Hawaii is out of sync—recovery a work in progress

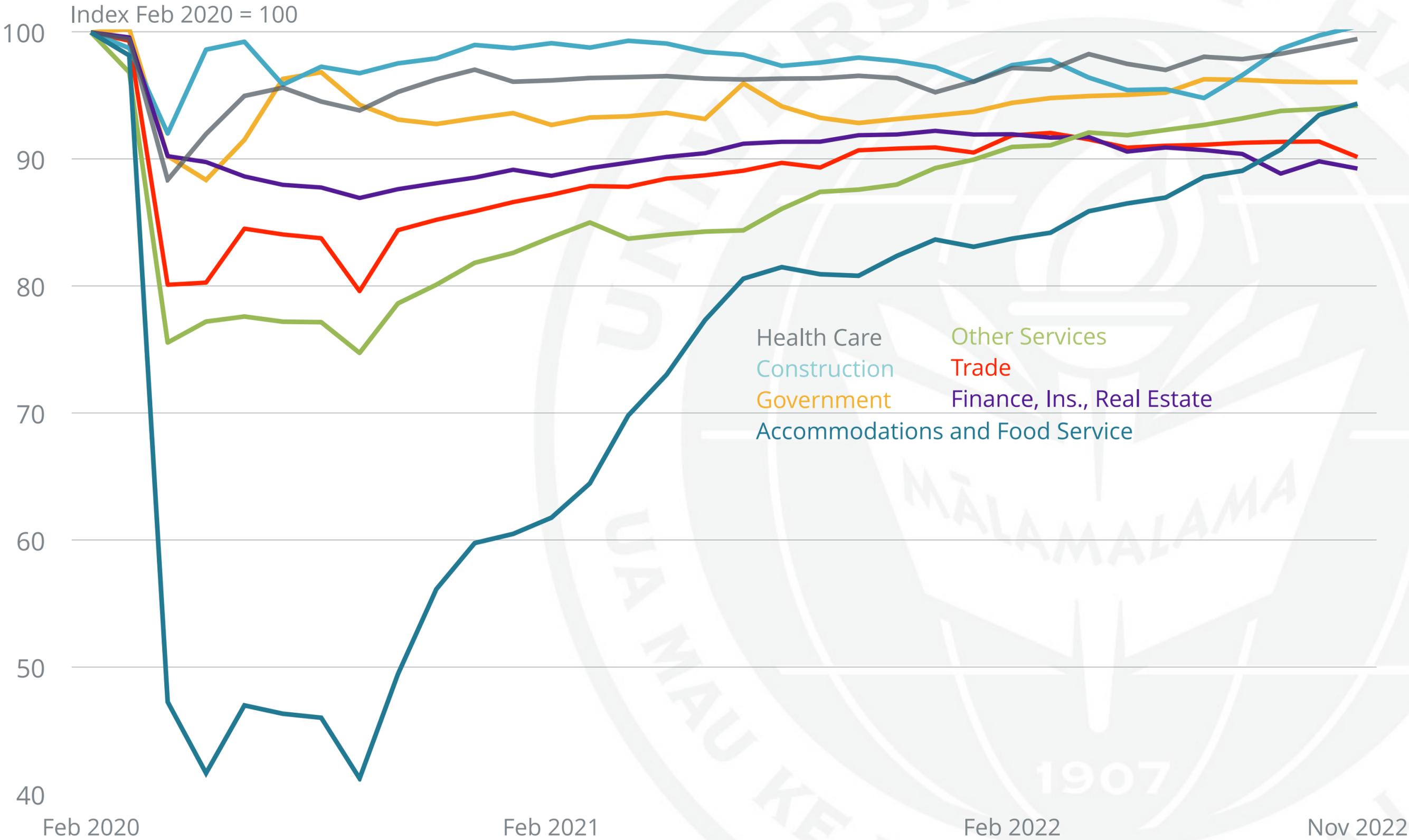
new business formation, gigs, 2nd jobs, long covid all make payrolls hard to fill



Source: BLS. [UHERO.data](https://www.uhero.hawaii.edu/data), UHERO internal benchmarks.

Recovery of tourism jobs is just one of the challenges

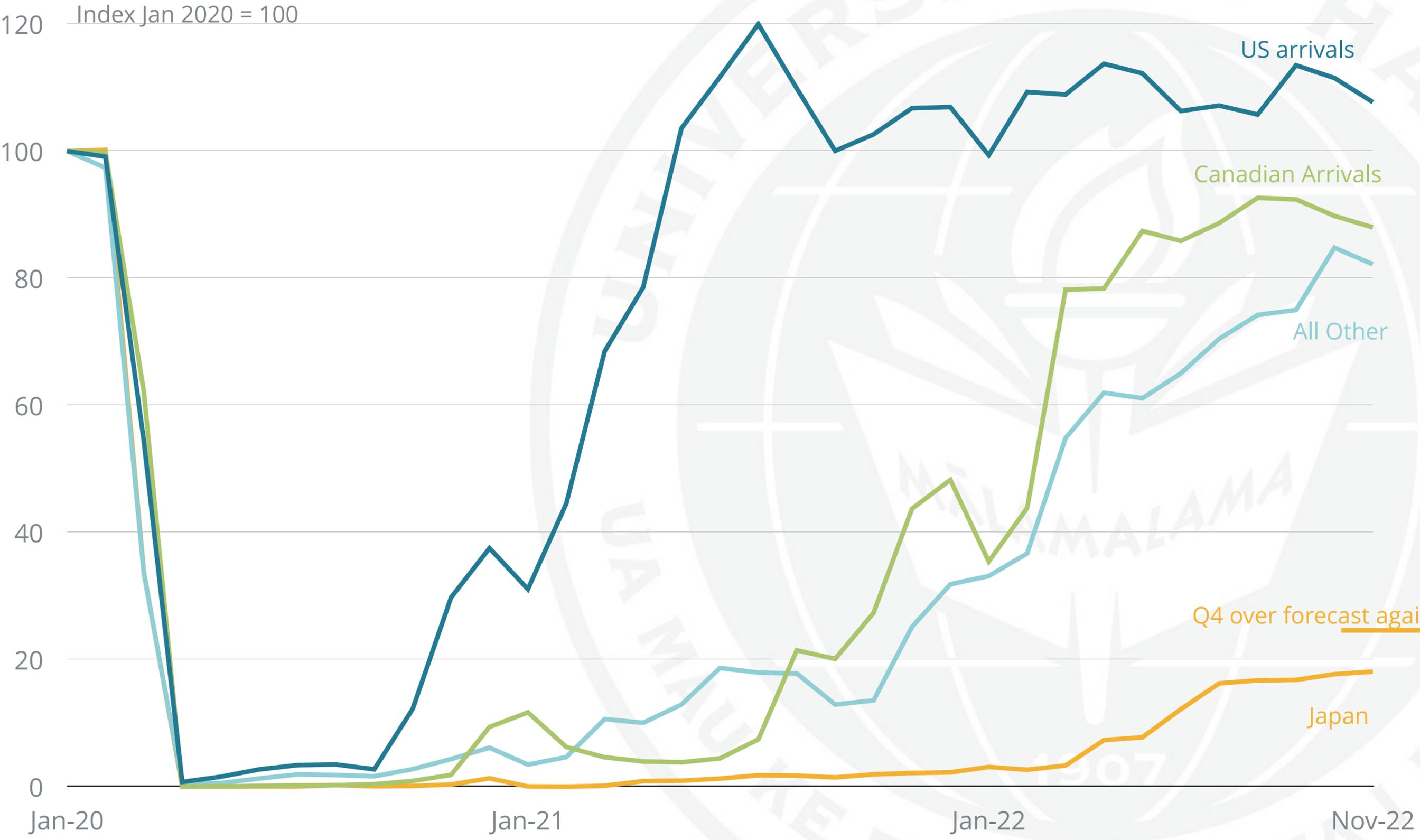
only health care and construction are close to pre-pandemic payrolls



Source: BLS. [UHERO.data](#), UHERO internal benchmarks.

Can Japanese travel offset decline in US visitors?

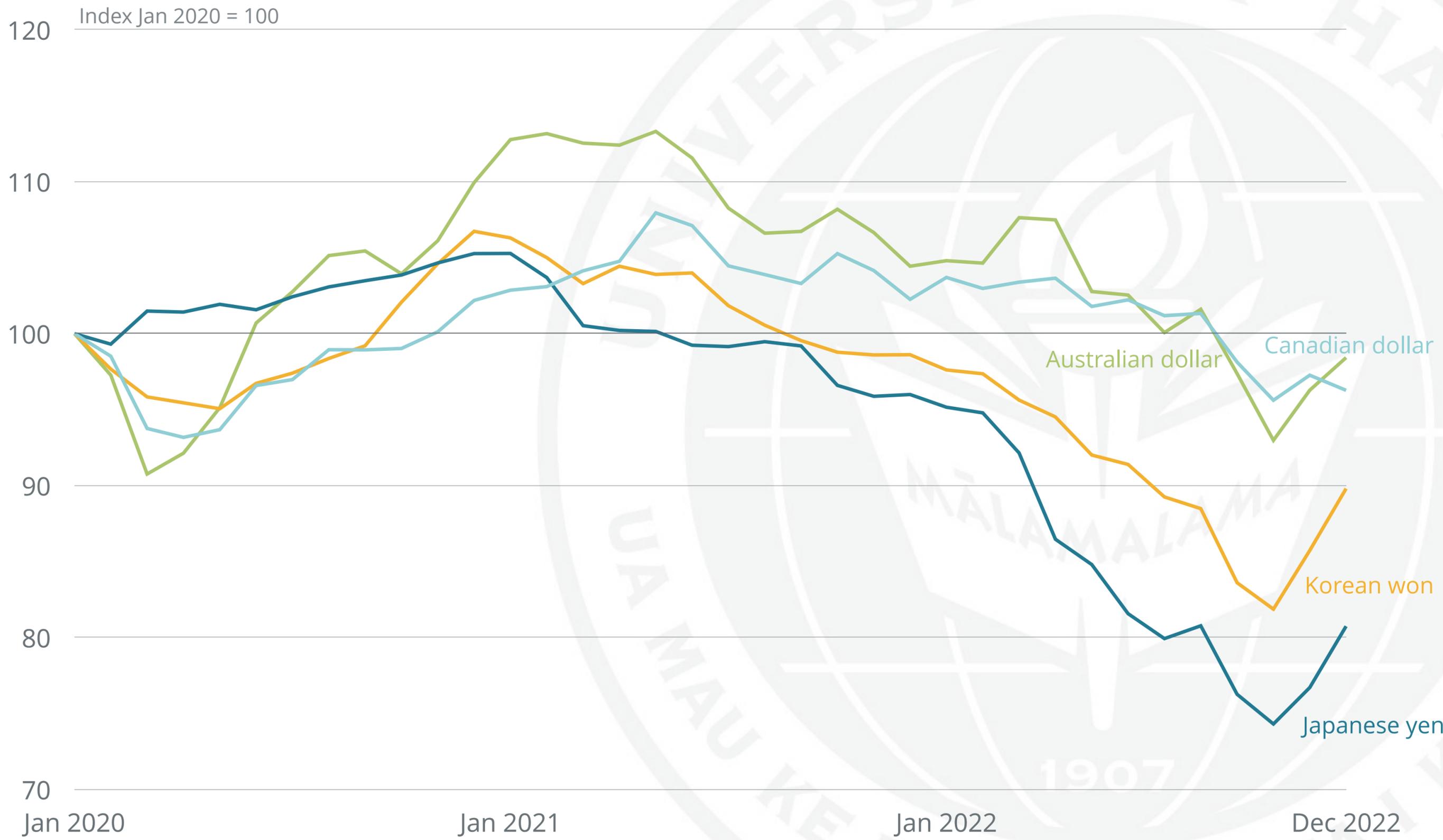
the Japan visitor recovery has stalled since July



Source: HTA, UHERO.data.

Soaring costs have stifled pent up Japanese demand

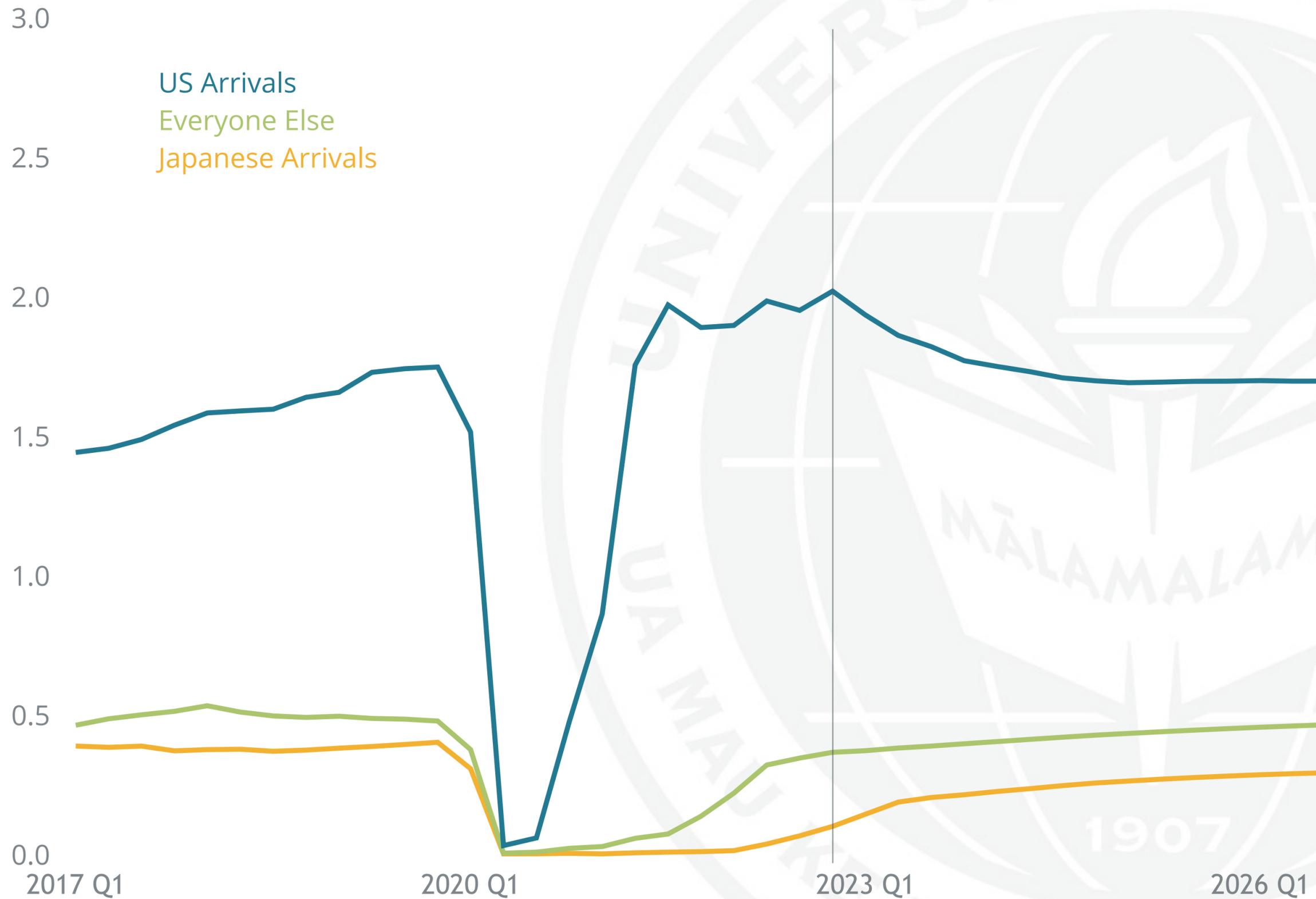
Hotel rooms +30%, Food and Drink + 18%, Yen - 24%



Source: FRED.

Tourism forecast relies on a pretty optimistic balancing act

International recovery needs to offset small decline in US visitors



Source: Source: HTA, [UHERO forecasts](#).

While construction has been a bright spot

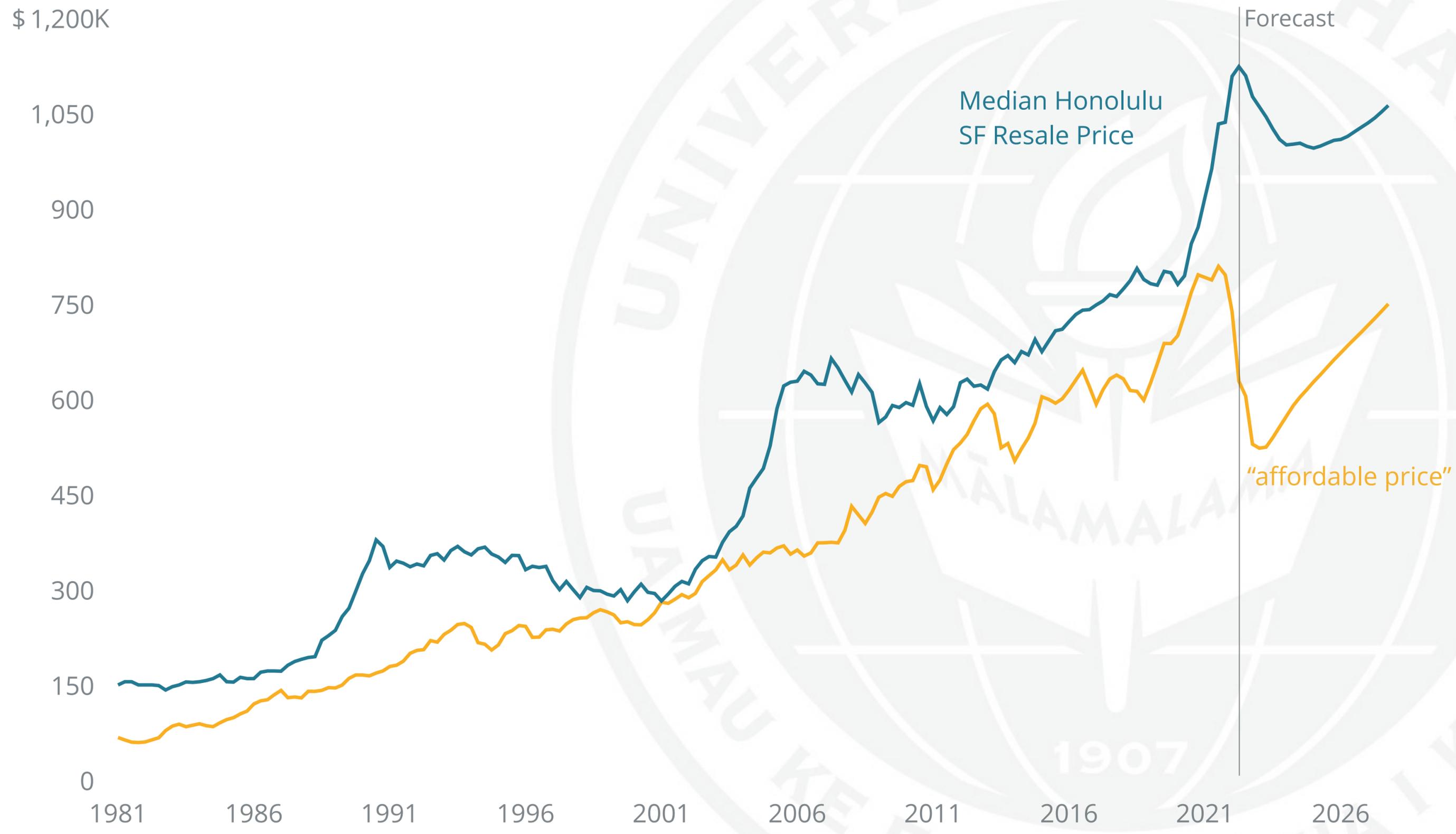
Builders are being squeezed by rising costs and falling demand



Source: Federal Reserve Board, [UHERO forecasts](#).

Builders squeezed by rising costs and falling demand

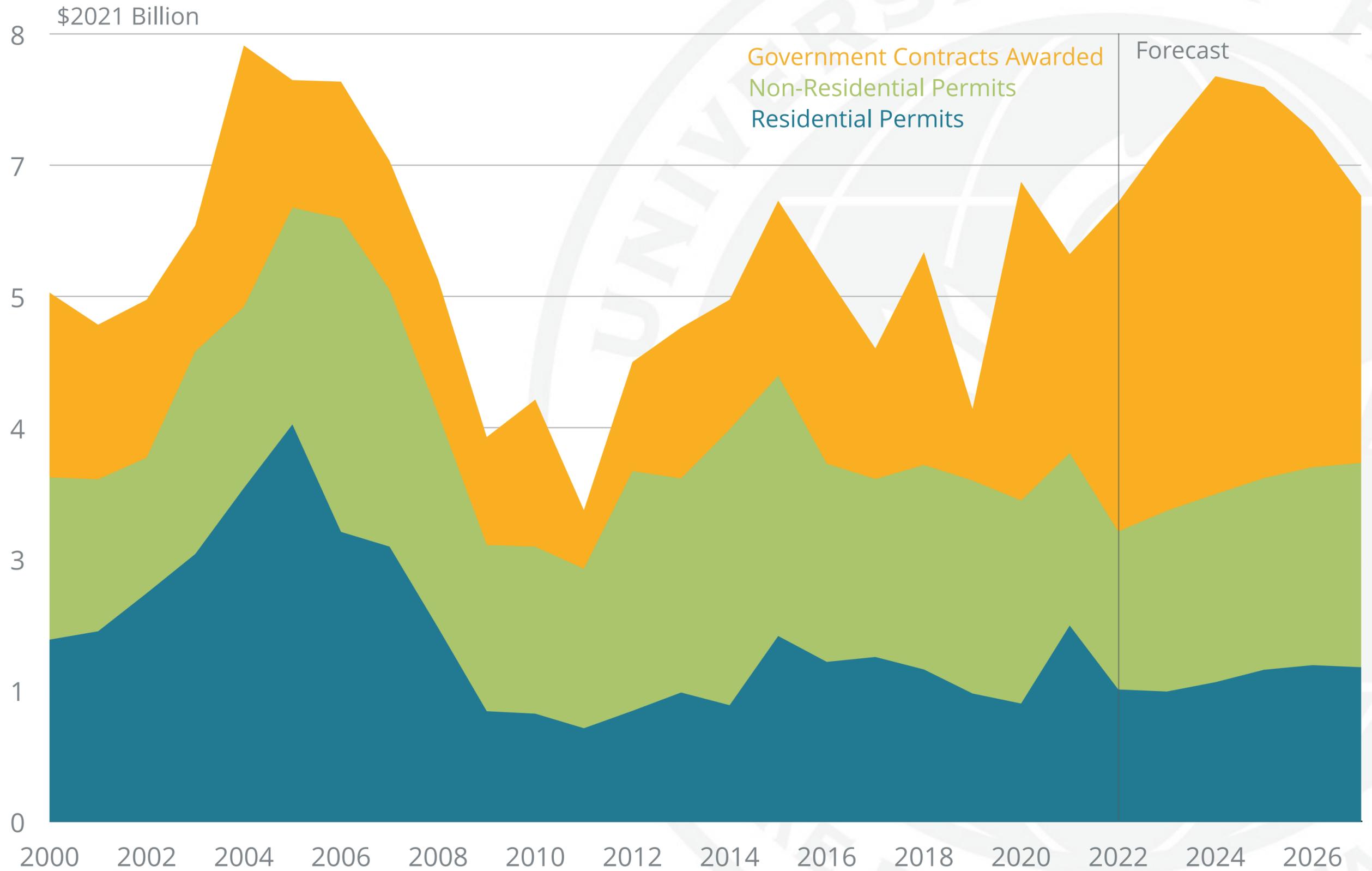
affordability has collapsed with surging mortgage rates and prices



Source: Honolulu Board of Realtors, [UHERO forecasts](#).

Construction spending helps offsets decline in visitor spending

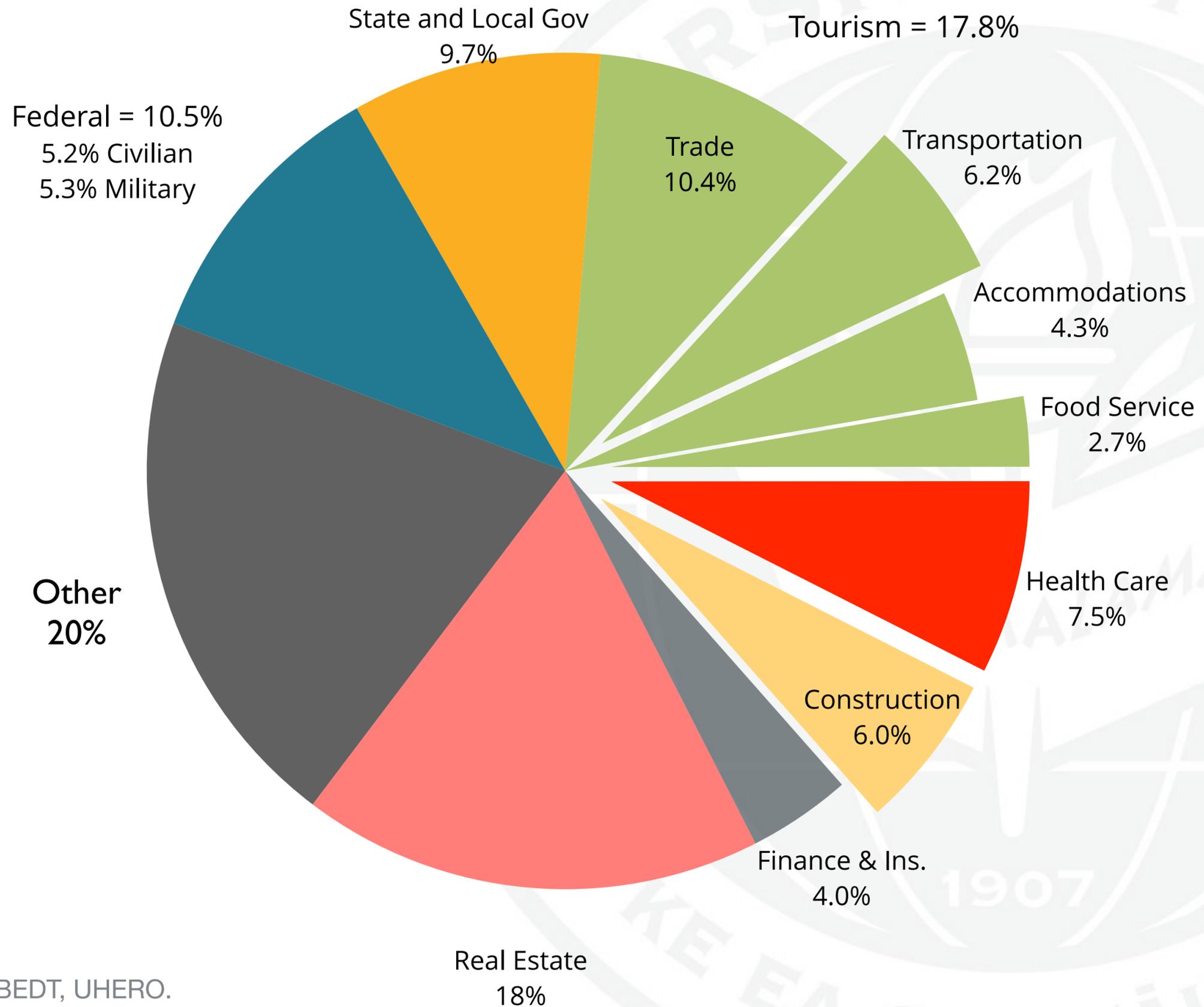
With federal IJA and DoD\$—this time may really be different



Source: DBEDT, UHERO forecasts.

What lies ahead post pandemic recovery?

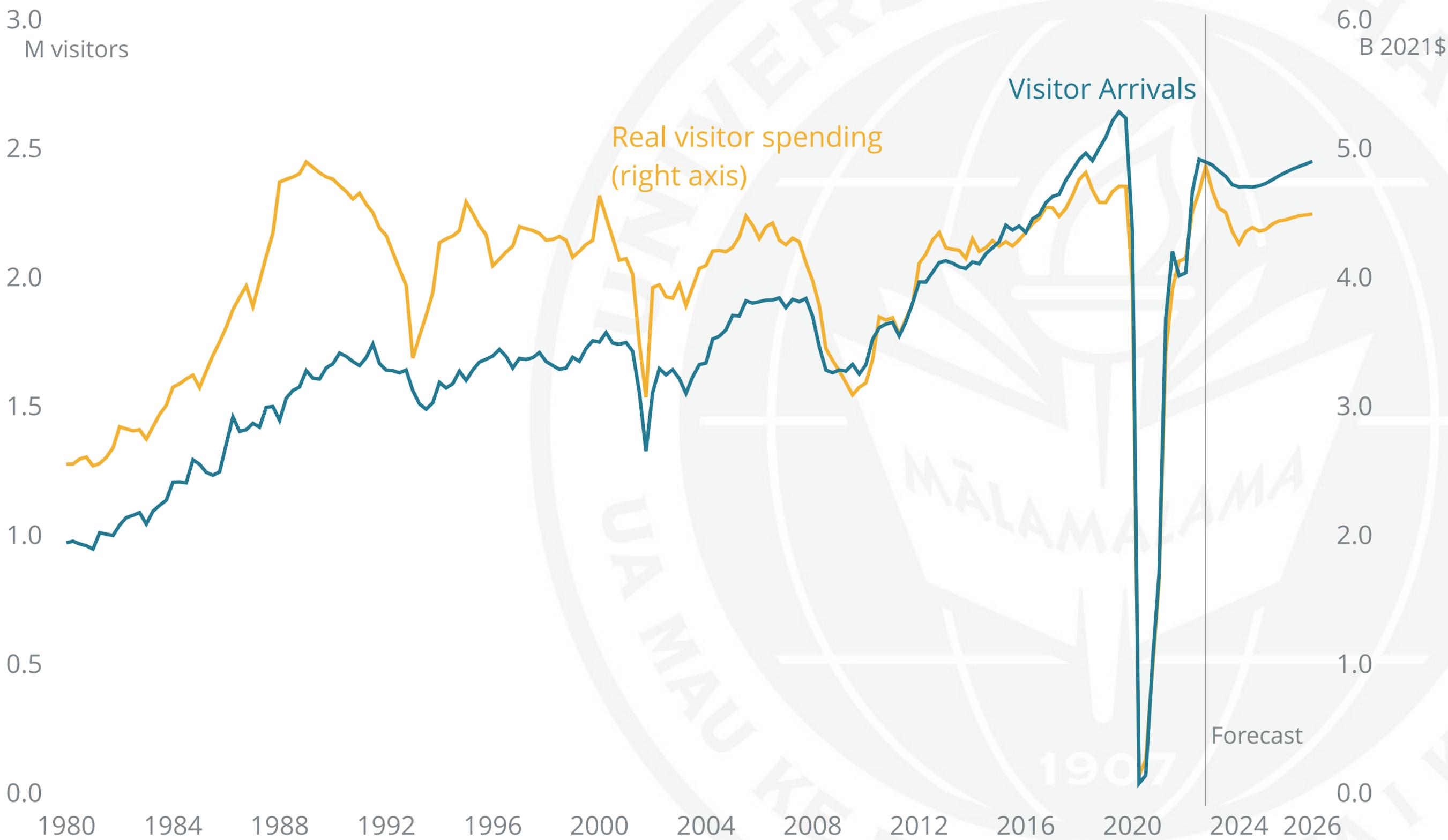
Industry shares of 2019 GDP



Source: BEA, DBEDT, UHERO.

When the recovery is over, then what

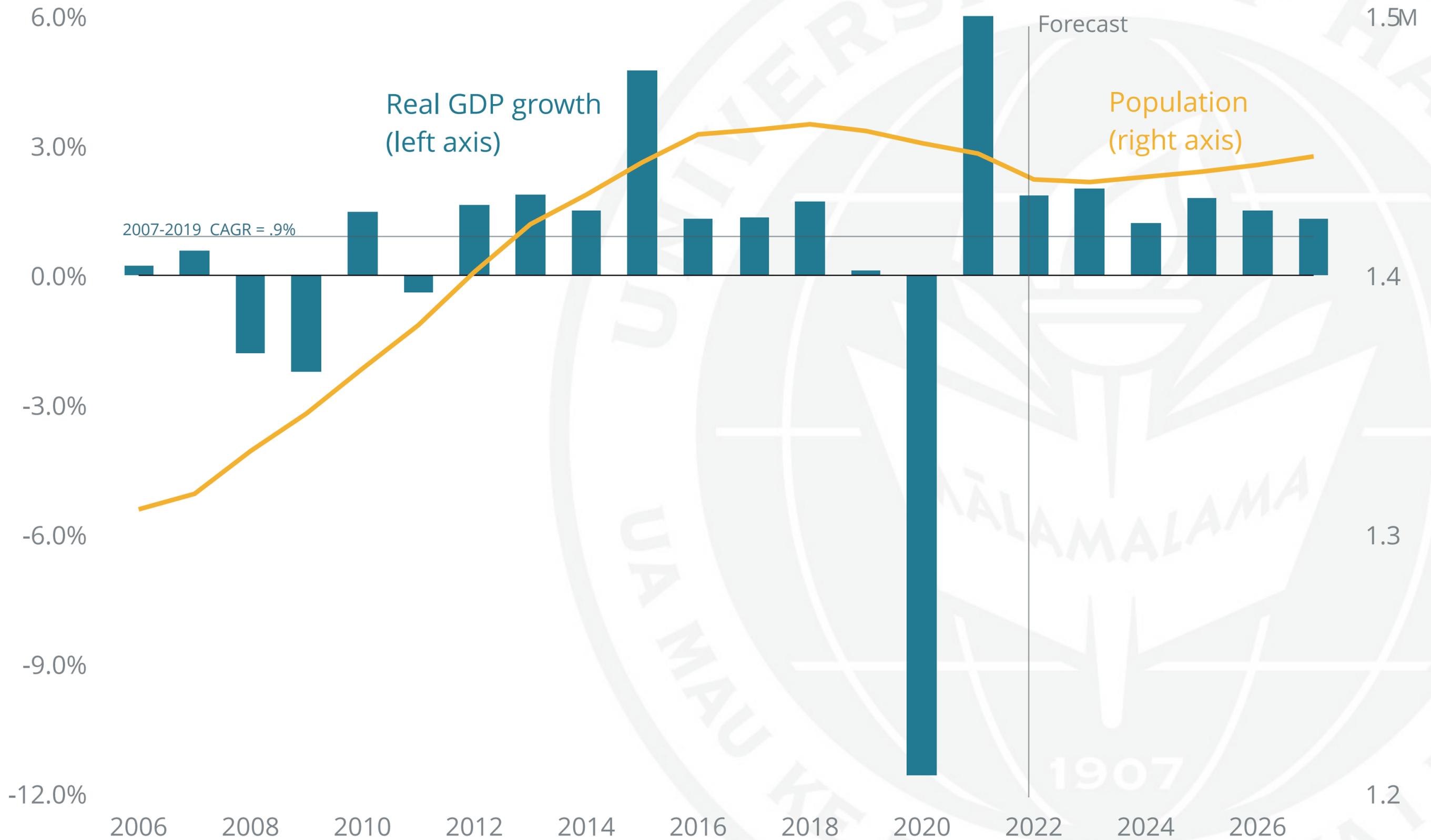
can tourism "management" change this picture?



Source: HTA, BLS, UHERO forecasts. Nominal visitor spending deflated using Honolulu CPI.

What lies at the end of Hawaii's recovery?

pre-pandemic cycle saw less than 1% real growth



Source: BEA, CENSUS, UHERO estimates of intercensal population (2011-2019), UHERO forecasts.



BLOGS

[Blog: To Tax or Not to Tax Sale of Food and Medicine](#)

August 15, 2022

By James Mak Inflation is soaring at the highest rate since the early 1980s. Not surprisingly, many Hawaii residents are struggling financially today. Sadly, this

[Read More »](#)

[Blog: Is O'ahu's new Comprehensive Economic Development Strategy strategic enough?](#)

July 7, 2022

By Steven Bond-Smith The draft O'ahu Comprehensive Economic Development Strategy (CEDS) for 2022-2026 is now out for public comment. The importance of the CEDS is

[Read More »](#)

[Blog: Managing for diverse coastal uses and values under sea level rise: perspectives from O'ahu](#)

June 7, 2022

By Leah Bremer, Makena Coffman, Alisha Summers, Lisa Kelley, and Billy Kinney "That whole experience of bonding, the family, the fresh air, that's so critical.

[Read More »](#)



NEWS

[New publication to understand COVID-19 disparities in Native Hawaiians and other Pacific Islander \(NHPI\)-enriched communities](#)

September 16, 2022

New publication out today by UHERO's Ruben Juarez and team, "Vaccine-Associated Shifts in SARS-CoV-2 Infectivity Among the Native Hawaiian and Other Pacific Islander Population in Hawaii".

[Read More »](#)

[New publication explores role of trust and information consumption on vaccine and booster uptake](#)

September 1, 2022

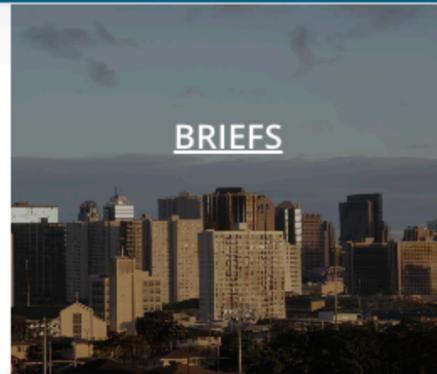
Congratulations to Ruben Juarez and team for their new publication in Vaccines. To understand contributors to vaccine hesitancy and how they change over time, the

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[Sumner La Croix awarded the Best Paper of 2021 by Economic Record](#)

September 1, 2022

A paper by UHERO's Sumner La Croix, "Australia's Forgotten Copper Mining Boom: High unemployment, Social



BRIEFS

[Measuring the Burden of Housing Regulation in Hawaii](#)

April 14, 2022

By Rachel Inafuku, Justin Tyndall, and Carl Bonham Home prices in Hawaii are among the highest in the nation: in 2021 the median single-family home resale

[Read More »](#)

[COVID-19 Mandates: Recommendations for Hawai'i Businesses](#)

August 23, 2021

Read the summary blog post. By Ruben Juarez, Alikea Maunakea, May Okihiro, and Carl Bonham Faced with the largest increase in cases since the beginning

[Read More »](#)

[Developing a Dream Destination: From Laissez-Faire to Destination Management](#)

July 19, 2021

Read the summary blog post. By James Mak In 2008, I published an interpretive history of how public policies toward tourism in Hawaii changed over

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FORECASTS

[UHERO Forecast for the State of Hawaii: Foreign visitors will provide lift, but risks have multiplied](#)

May 12, 2022

Hawaii's recovery has resumed now that the Delta and Omicron waves are behind us. Once the Asian COVID-19 wave recedes, the long-awaited return of international

[Read More »](#)

[UHERO Forecast for the State of Hawaii: With Omicron in the rearview mirror, a clearer road ahead?](#)

March 5, 2022

The two COVID-19 waves since last summer caused a pullback in Hawaii tourism and a pause in labor market recovery. Visitor arrivals are now picking

[Read More »](#)

[UHERO Forecast for the State of Hawaii: Recovery resumes, but Omicron looms](#)

December 17, 2021

Economic recovery resumed with the end of Hawaii's COVID-19 wave. Now Omicron is a new threat. Renewed international travel



REPORTS

[UHERO Public Health Report: Health Effects and Views of COVID-19 in Hawai'i](#)

June 20, 2022

The COVID-19 pandemic has had significant adverse impacts in the state of Hawai'i beyond the direct effects of COVID-19 itself, including indirect effects on mental

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[Restoring Ecosystem Services and Biodiversity through Cost-Effective and Resilient Agroforestry Systems](#)

May 12, 2022

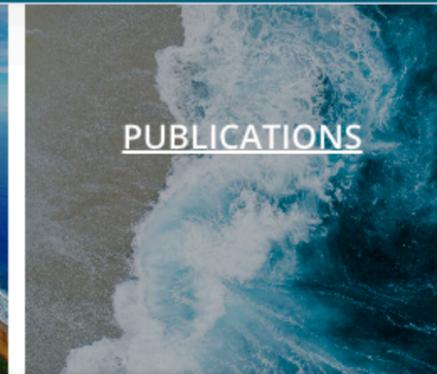
Since September 2018, our project team, composed of University of Hawai'i faculty and students, Kāko'o Ōiwi staff, and other partners have worked together to: 1)

[Read More »](#)

[Economic Impact of Astronomy in Hawai'i: 2019 Update](#)

April 24, 2022

Astronomy continues to be a sizable and stabilizing source of economic activity. In 2019, local astronomy related expenditures in the state totaled \$110.02 million with



PUBLICATIONS

[Vaccine-Associated Shifts in SARS-CoV-2 Infectivity Among the Native Hawaiian and Other Pacific Islander Population in Hawaii](#)

September 16, 2022

Abstract: Native Hawaiians and other Pacific Islanders (NHPIs) across the country have experienced significant disparities because of the COVID-19 pandemic. The Pacific Alliance Against COVID-19

[Read More »](#)

[Dynamics of Trust and Consumption of COVID-19 Information Implicate a Mechanism for COVID-19 Vaccine and Booster Uptake](#)

August 31, 2022

Abstract: Vaccine hesitancy remains a significant barrier to achieving herd immunity and preventing the further spread of COVID-19. Understanding contributors to vaccine hesitancy and how

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[Biocultural values of groundwater dependent ecosystems in Kona, Hawai'i](#)

August 24, 2022